

~~SECRET~~

Intelligence Report

No. 7118

TRADE RELATIONS BETWEEN LATIN AMERICA
AND THE SOVIET BLOC

DEPARTMENT OF STATE



Office of Intelligence Research

Prepared by
Division of Research for American Republics
February 1, 1956

State Dept. declassification & release instructions on file

THIS IS AN INTELLIGENCE REPORT AND NOT A STATEMENT OF DEPARTMENTAL POLICY

~~SECRET~~

~~SECRET~~

This report is based on information available through December 31, 1955.

TABLE OF CONTENTS

	<u>Page</u>
Foreword	iv
Abstract	v
A. Description of trade of Latin America with the Soviet bloc	1
1. Levels of trade	1
2. Composition of trade	2
3. Special features of the trade	3
B. Tactics utilized by the Soviet bloc in Latin American trade relations	4
1. General nature of offers	4
2. Trade missions	6
3. Use of local organizations	6
4. Offers of financial and technical assistance	7
5. The Soviet Industrial Fair in Buenos Aires	7
6. Propaganda	8
7. Trade agreements	9
C. Prospects for Latin American trade with the bloc	15
1. Major attractions	15
2. Major obstacles	16

LIST OF TABLES

1. Latin American trade with the Soviet bloc, 1938, 1950, and 1954

~~SECRET~~

SECRET

Page

II.	Latin American exports to and imports from the Soviet bloc, 1938	20
III.	Latin American exports to and imports from the Soviet bloc, 1950	22
IV.	Latin American exports to and imports from the Soviet bloc, 1954	24
V.	Latin American exports to and imports from the Soviet bloc, January through June 1955	26
VI.	Bilateral trade and payments agreements in effect during 1950-55 between Latin American Republics and the Soviet bloc	27

SECRET

Foreword

The Soviet Union, through the medium of a widely published Bulganin interview of January 16, 1956, served notice that it would seek to expand bloc diplomatic, cultural, and economic relations with Latin America. To date the main Soviet bloc effort in Latin America, aside from local Communist operations, has been in the field of trade. IR 7118 reviews present Soviet bloc trade arrangements with Latin America and analyzes the trade as it has developed in the period 1954-55.

This review indicates that, while trade with the bloc remains small in the context of total Latin American foreign trade, it has been selective, directed mainly to countries having surpluses and balance of payments problems with traditional trading partners. Hence the bloc is able to achieve disproportionate political and propaganda advantages from trade offers. Bloc bids for Latin American surpluses provide especially useful grist to the Communist propaganda mill. Bulganin's offer of development goods, including oil industry equipment, points to another profitable area for Soviet exploitation. Both Argentina and Brazil urgently need to develop their oil resources to reduce a heavy drain on dollar exchange. However, they are under nationalist pressure to reject foreign private capital and cannot exploit oil resources to the extent required without foreign aid.

The logic of the Soviet approach via trade, and gestures to aid underdeveloped economies, was underlined by Latin American reactions to the Bulganin interview. Reactions were generally sceptical, but with notable exceptions in Argentina, Brazil, and Uruguay -- the bloc's main trading partners in Latin America. Favorable responses in these countries doubtless reflected some intangible advantages of doing business with the bloc as well as material gains essentially limited at present trade levels. Thus there is the immediate consideration of gaining bargaining power in relation to the United States. There is also the advantage to these countries of increasing their stature and prestige in international affairs, a consideration that could become important should the Soviet Union achieve a greater measure of respectability in the non-Communist world.

Soviet opportunities in Latin America are not comparable with those in various Asian and African countries: the Latin American societies are more stable, and geographic and other factors work against development of a "third position" in Latin America. Thus equal success in detaching the area from the Western alliance would require vastly greater effort, if indeed it were at all possible to achieve.

Nevertheless, there are issues between the US and Latin America, especially because of their close ties, that invite Soviet

~~SECRET~~

exploitation. Most important are the issues that arise from the chronic complaints of raw material producers in a world dominated by industrial powers, and from the urgency of Latin American governments to get US government financing for development. On the political side, Latin Americans sympathize with the colonial areas and tend to side with them on some issues in the UN, often to the benefit of the Soviet line; in the larger countries nationalism, rejecting unquestioning cooperation with the United States, is increasingly powerful. Thus Soviet trade and aid in Latin America, while incapable of detaching the area wholesale from the United States, has prospects of some success in widening existing breaches and increasing the total stock of disagreement and friction in the Western Hemisphere.

~~SECRET~~

Abstract

Latin American current trade with the Soviet bloc of about \$250 million per annum represents but 2% of its total trade with the world, a proportion which does not exceed the prewar level. Bloc trade, however, is assuming increasing importance in a number of individual countries, representing 8% of Argentina's and 5% of Uruguay's trade total in 1954. Argentina, Brazil, and Uruguay rank as the top Latin American traders with the bloc.

Bloc purchases also represent a significant share of the principal exports of individual commodities of particular countries. Bloc countries in 1954 took about a third of Argentina's shipments of mutton and lamb as well as significant proportions of its rye, linseed oil, quebracho, and canned meat exports. Over half of Brazil's shipments of salted hides and nearly a fifth of its iron ore exports were to the bloc. Nearly three-fifths of Uruguay's shipments of frozen meats and over half of its wool exports in 1954 went to the bloc. While such exports are insignificant compared to total Latin American exports of a given commodity, bloc purchases are impressive to the country concerned. In addition, such sales serve to arouse interest in bloc trade in other countries confronted with troublesome surpluses.

Goods supplied to Latin America by the bloc cover a wide range. Manufactures predominate, although bloc deliveries of fuels -- petroleum and coal -- are increasing in importance. Over half of Argentina's 1954 imports of coal and a significant proportion of petroleum come from bloc sources.

Latin American trade with the bloc takes place, in the main, under bilateral agreements. Faced with the necessity of balancing trade under such agreements, Latin American governments are forced to create a market for bloc goods by increased allocations of bloc agreement currencies to the importers out of total exchange quotas for given imports. However, the import of bloc products is hampered by the reluctance of business groups to accept goods which cannot be marketed competitively if quality and price are considered.

The fact that the bloc has been buying Argentine and Uruguayan agricultural surpluses has been a strong stimulus to closer commercial relations with the bloc. This interest is abetted by local Communist and front groups, which stress the advantages of trade and play up Soviet offers of assistance to other underdeveloped areas. Increased trade with the bloc appears to the Latin Americans to offer an opportunity to mitigate their balance of payments problems by providing a new market for their goods, by allowing them to acquire necessary goods without using their dollar reserves, and by providing a bargaining point in economic negotiations with other areas.

A. Description of trade of Latin America with the Soviet Bloc

1. Levels of trade

In the prewar years Latin American trade with the countries which now constitute the Soviet bloc (excluding East Germany but including Communist China) amounted to about \$65 million, only 2% of total Latin American trade. Argentina and Brazil accounted for nearly two-thirds of the trade with the bloc countries. Czechoslovakia and, to a lesser degree, Poland were the only bloc countries with any substantial volume of trade with Latin America.

In the postwar period up to 1952 Latin American trade with the bloc attained a peak of \$137 million in 1948. This was, however, but 1% of the area's total foreign commerce. With the advent of the Korean war trade fell to \$122 million in 1950, \$104 million in 1951, and \$52 million in 1952. Most of the Latin American countries had scant economic relations with the bloc, for either political reasons or lack of economic incentive. In no case did the bloc trade amount to as much as 4% of any country's total trade, and only in the case of Argentina did it exceed 2%.

The conclusion of trade agreements with the USSR by Argentina and Uruguay in 1953 and 1954 marked an upturn in Latin American trade with the bloc countries. The area's total trade with the bloc rose to \$70 million in 1953 and in 1954 reached a new high of \$252 million or about 2% of its world trade. Argentina with a total of \$173 million in 1954 and Brazil with \$43 million continued to occupy preeminent positions in Latin America's trade with the bloc. Uruguay ranked third, with an increase from \$2 million in 1953 to \$24 million in 1954.

The importance of bloc trade to the individual countries rose appreciably in 1954; it represented 8% of Argentina's and 5% of Uruguay's trade with the world in that year.

Latin American trade with the bloc in 1955 continued practically at the 1954 levels. Argentina, Brazil, and Uruguay, which accounted for 96% of total Latin American trade with the bloc in 1954, reported such trade during the first six months of 1955 at \$130 million, a figure somewhat below the \$133 million shown these three countries in the first semester of 1954. Exports of these three countries to the bloc in the first half of 1955 totaled \$58 million, considerably below the value of their shipments to the bloc of \$93 million in the comparable period of 1954. Imports from the bloc by these countries during the first six months of 1955 rose to \$72 million as compared with \$41 million during the first semester of 1954.

~~SECRET~~

~~SECRET~~

- 2 -

2. Composition of trade

Fifteen commodities generally account for 75% of the total trade of Latin America. The bloc has bought varying quantities of seven of these major commodities. Latin America's exports to the Soviet bloc are typically concentrated on a few commodities. For example, Argentina's exports to the bloc have been dominated by hides, wool, grains, linseed oil, and quebracho. Brazil has shipped coffee, cocoa, cotton, wool, sugar, salted hides, and iron ore. Virtually all of Uruguay's sales in Eastern Europe are accounted for by wool, hides, and meat. Mexico's shipments of coffee and henequen and Cuban deliveries of sugar offer other examples.

The bulk of Latin American exports continue to be directed to its traditional markets in the US, UK, and Western European nations, but the demand for Latin American commodities in these markets is insufficient to take the available supply. Unrealistic Latin American prices created by overvaluation of currencies, and reflecting an effort to maintain favorable terms of trade, have left Latin America with significant exportable surpluses. The willingness of the bloc countries to accept these surpluses, even at inflated prices, has made trade offers by them particularly attractive to Latin American countries. In the case of some commodities the bloc has absorbed significant proportions of the total volume of shipments. Argentina's shipments in 1954 of chilled mutton and lamb to the bloc represented 36% of the total volume exported; 32% of its rye, 20% of its linseed oil, 20% of its quebracho extract, and 15% of its canned meat also went to bloc countries. Over 54% of Brazil's shipments of salted hides in 1954 went to bloc countries, as did 17% of Brazil's exports in 1954 of hematite (iron ore). Uruguay's shipments of frozen meat to the bloc in 1954 represented 60% of the total volume exported, and it has been estimated that over 50% of Uruguay's wool in the clip year 1954-55 went directly or indirectly to bloc countries. While these amounts may be insignificant in relation to total Latin American exports of a given commodity, they are impressive to the country concerned. They also serve to rouse interest in bloc trade in other countries having surpluses.

Latin America imports a wide range of products from the Soviet bloc. Manufactured goods predominate. This follows the pattern of the prewar years when Latin American imports of Czechoslovak and Polish goods included a wide variety of manufactured goods, including machinery and industrial equipment. Although deliveries by the bloc of the latter have fallen below Latin American expectations, some industrial equipment (coal mining machinery from Poland and Russia to Argentina) and textile machinery (from Czechoslovakia to Mexico and Brazil) have been obtained from the bloc countries. In

~~SECRET~~

SECRET

- 3 -

general, bloc countries, especially Czechoslovakia and to some degree Poland, have supplied wide varieties of manufactured consumer goods including textile manufactures, chemical and pharmaceutical goods, glass, and ceramics.

An attempt to balance sizable debits resulting from export shipment has led some Latin American countries to concentrate their purchases of certain commodities in the bloc area. Nearly 50% of Argentine imports of coal in 1954 came from the bloc, primarily from Poland; its imports of bloc oil and products have risen significantly; and over 5% of its fuel oil imports in 1954 came from the USSR. Over 76% of Argentine imports of railway and tram rails and over 70% of imports of malleable or beaten iron pipe were obtained from the bloc, primarily from the USSR. Over 30% of the total volume of cement imported by Brazil in 1954 came from bloc countries; significant amounts of iron and steel bars, wire, and tubes also were obtained there.

3. Special features of the trade

The US dollar is used as the currency of account in all payments agreements between Latin America and bloc countries except Mexico-Czechoslovakia. Settlement of final balances as well as settlement in excess of permitted swing credits are usually payable in gold, dollars, or an agreed currency. The most notable example of the last has been the agreement between Uruguay and the USSR which provided for settlement in sterling. Reciprocal swing credits of moderate amounts are almost always provided. In general, trade imbalances do not exceed reciprocal credit provided for in the agreements. The exception was the size of the amounts due Argentina at the end of 1954, when countries in the bloc area owed a total of \$42.8 million in trade balances, considerably in excess of the \$25 million provided in individual agreements. Czechoslovakia and Hungary had exceeded credit limits by the largest amounts.

Trade with the bloc appears to offer to Latin American countries an opportunity to ease their balance of payments problems by enlarging the market for their export goods. The attractiveness of this trade is further enhanced by the willingness of the bloc to offer prices higher than those which Latin American countries can obtain in their customary markets. Trade with the bloc, however, entails dealing in convertible currencies (although the dollar is used as the currency of account, since trade is channeled through bilateral clearing accounts, a certain amount of inconvertibility is created). The Latin American countries are therefore presented with the alternative of keeping trade with the bloc in balance or accumulating certain amounts of inconvertible currencies, i.e., extending credit to the bloc. The process of balancing trade has not been easy. While some diversion of imports from usual sources of supply has been effected, countries operating clearing accounts have encountered re-

SECRET

~~SECRET~~

- 4 -

sistance from commercial groups to switching their purchases to the bloc. The business community finds that bloc products are not comparable in quality or are copies of products of outmoded equipment of other countries, and their acquisition would present the problem of uncertainty of replacements of parts and accessories.

The reluctance of the business community to utilize credits outstanding in clearing accounts has led to sales of currencies in such accounts at discount prices. Under the "auction" system of making foreign exchange available to importers in Brazil, "agreement dollars" available in 1954 through the Czechoslovak and Polish clearing accounts have consistently sold below dollars obtained from other sources.

An evaluation of the degree of utilization of swing credits with bloc countries is not possible on the basis of available information. In Argentina's case it is clear that in 1954 the bloc not only made full use of such credits but also exceeded the stipulated amounts. Argentina apparently has become aware of the dangers inherent in the accumulation of such credits and has insisted, in formulating new agreements with the bloc, on a reduction of the amount due, by a step-up in the rate of deliveries.

B. Tactics utilized by the Soviet bloc in Latin American trade relations

1. General nature of offers

The upsurge of trade between Latin America and the Soviet bloc since 1953 has been aided by an unusual effort of the bloc to gain a more substantial commercial position in Latin America. Offers by the bloc to intensify trade with that area are not wholly unwelcome to the Latin American countries. The bloc has taken cognizance of the fact that demand in Latin America's traditional markets has not kept pace with the area's increased export capabilities and that a sizable backlog of export goods has accumulated. It has shown a readiness to acquire substantial quantities of these surpluses. Purchase offers have generally been tailored to fit the needs of particular countries and have been concentrated rather heavily on a few commodities which have proved to be difficult to dispose of without price sacrifices. In the case of Argentina and Uruguay the bloc offered to purchase wheat, meat, wool, and hides, and in the case of Brazil, coffee, cotton, and iron ore. In Cuba the USSR bought 500,000 tons of sugar in 1955 with a further 200,000 tons contracted for 1956. Mexico's difficulties in disposing of all of its sugar have elicited offers from the bloc. Although not yet reflected in trade returns, Colombia's agreement with East Germany appears to provide an additional market for its coffee. The Soviet Commercial Attaché in Mexico, while on a visit to Bogotá in December 1955,

~~SECRET~~

~~SECRET~~

- 5 -

offered to buy 16,000 bags or more of Colombia's coffee. An un-official agreement with East Germany announced in September 1955 appears to present Chile with an opportunity to dispose of substantial amounts of grain, wine, fodder, and other agricultural goods.

The interest in bloc offers is further enhanced by the willingness of the bloc to offer higher prices than those which Latin American countries can obtain in other markets. This factor has been significant in Brazil's decision to ship sizable amounts of its iron ore to Poland and Czechoslovakia. Czechoslovak offers to purchase non-ferrous metals in Bolivia, above the price levels obtainable in world markets, are clearly tempting. However, there have been numerous complaints by importers that bloc goods available for imports are in general overpriced as compared with Western goods.

Once trade relations have been established through purchases of export surpluses, the next step has usually involved the setting up of a market for bloc industrial goods, a step that is aided by the accumulation of trade credits by the Latin American countries. Their governments, faced with the problem of holding large amounts of convertible currencies, are forced to participate, directly or indirectly, in the formation of a market for bloc industrial goods. This process has taken place in Argentina, Brazil, and Uruguay, where the scarcity of hard currencies has forced increasing use of "agreement dollars" in allocating exchange quotas for imports. The absence of sufficient allocations of other currencies results in a certain switch to purchases from the bloc.

Bloc efforts in the countries which are primarily mineral producers have taken a slightly different tack. In offers to these countries the emphasis has been on getting rid of restrictions on trade in strategic commodities. This has not been successful with respect to overt purchases, but the decision of the Chilean Government to lift its ban on nitrate shipments to Communist China and to permit shipments of nitrates to China and North Korea, as well as to Czechoslovakia, represents a step toward negotiations over a broader front that would perhaps include strategic commodities such as Chile's copper.

The Soviet Union has not hesitated to use trade relations to obtain diplomatic recognition. In renegotiating the trade agreement with Uruguay, which had proven very profitable to that country, the Soviet Trade Delegation in December 1955 proposed an appendix to the agreement that would have extended diplomatic status to its commercial representatives. This proposal had aroused the fears of the Uruguayans that such an annex to a commercial agreement might allow the Soviet Union to build a large commercial staff in Uruguay with diplomatic immunity that could be utilized for extensive undercover work not only in Uruguay but also throughout South America. The

~~SECRET~~

~~SECRET~~

- 6 -

proposed appendix was subsequently eliminated. Uruguay's advantageous trade with the Soviet Union in 1954 apparently has also been a strong factor in the Uruguayan Government's decision to reappoint a Minister to Moscow, where Uruguay has not had a Minister since 1948.

2. Trade missions

Bloc diplomatic missions resident in Latin American countries have generally been able to provide continuing service in trade relations.

The use of the Moscow Conference of April 1952 and various missions in 1953 and 1954 to further trade with the bloc has been discussed in detail in IR 6473. During 1955 representatives of bloc countries made frequent visits to Latin America for the purpose of negotiating new trade agreements or extending those that existed previously.

The ECLA conference in Bogotá (August 29 - September 16, 1955), offered an opportunity for Czechoslovak and Polish representatives, attending the conference as observers, to establish direct contact with delegates from all the Latin American countries. A Latin American delegate has indicated that, while these observers did not initiate any formal trade relations, they did press for intensification of the trade with the bloc by pointing out the advantage of such trade to the Latin American countries.

A Communist Chinese delegation chose the occasion of the second general assembly of the Argentine Commission for Development of Trade in June 1955 (see below under Use of Local Organizations) to meet representatives from Argentina, Brazil, Uruguay, and Chile. At that time the Chinese representative mentioned that a new Chinese delegation might be sent to Argentina to arrange a trade agreement between the two countries.

The Soviet Commercial Attaché in Mexico made a visit to Colombia during the Bogotá International Fair (November 25 - December 11, 1955), where he made trade offers for coffee. The Soviet Ambassador to Mexico visited Ecuador and Peru in December. It has been reported that he made enticing offers of arms as well as financial assistance to Ecuador.

3. Use of local organizations

Local Communist parties and Communist front organizations are utilized extensively to promote extension of trade with the bloc. The most active group concerned with bloc trade is the Argentine Commission for Development of Trade. This group, like similar groups in Western Europe and elsewhere, was founded in 1952 by delegates to the Moscow Economic Conference. Sparked by Communists, it includes

~~SECRET~~

~~SECRET~~

- 7 -

as members businessmen interested in East-West trade. This organization appears well financed; it not only publishes a periodical, INTERCAMBIO (the only Latin American publication to send a representative to the Bandung Conference), but also issues an "information bulletin" publicizing trade opportunities with bloc countries.

The activities of the Argentine group appear well coordinated with its affiliates in other Latin American countries. Such groups include the Bolivian Association for Development and Trade, the Brazilian Office for Development of International Trade, the Committee for the Development of Foreign Trade (Chile), the Mexican Institute for the Study and Development of International Trade, and the Uruguayan Commission of Cooperation and Development of International Trade.

The second assembly of the Argentine group in June 1955 (actually only the inaugural session was held, since the meeting was interrupted by the Argentine revolution and did not reconvene) was attended by delegates from all South American groups as well as representatives of the USSR, Czechoslovakia, East Germany, Hungary, and Communist China.

4. Offers of financial and technical assistance

The availability to the Latin American countries of technical assistance, in the form of credits and technical services, is stressed in bloc offers. The most significant move in this respect in Latin America was the commitment which the USSR made in its August 1953 agreement with Argentina to supply \$30 million worth of capital goods on credit. The commitment, however, was not implemented, and the offer was reduced by a subsequent protocol to a mere \$4 million.

Czechoslovakia followed suit in signing a new agreement with Argentina in February 1955, and promised to supply "appropriate financing" for capital goods up to a possible \$15 million. Poland, in the agreement signed in January 1955, promised to supply goods on credit, although no definite amount was specified.

Offers of technical aid in the form of complete installation of industrial plant and machinery as well as of personnel to train local workmen have been made by satellite governments; however, actual examples of this form of technical aid are few. Czechoslovak technicians have come to Mexico to help train Mexican personnel in use of Czech looms, and Hungarian personnel were reported in Argentina helping to set up equipment purchased from Hungary.

5. The Soviet Industrial Fair in Buenos Aires

The Soviet Industrial Fair of May - June 1955 served to acquaint Argentine importers with Soviet industrial products. Some

~~SECRET~~

16 Soviet entities were represented; they displayed a wide variety of products including heavy machinery, textiles, cereals, and miscellaneous industrial equipment. This fair provided an opportunity for the Soviet Union to point to the equipment displayed as evidence of the high level of industrial development in the USSR. Although no advertising or descriptive literature on the various exhibits were available, publications in Spanish describing the USSR and its political, social, and industrial progress were plentiful.

The fair not only offered an opportunity for propaganda in Argentina (it was well attended) but provided material for distribution throughout Latin America.

6. Propaganda

In fomenting Latin American-bloc trade and working to increase its influence in the area, Soviet propaganda, as found in the Communist and the Communist front press in Latin America, stresses three main themes: (1) the advantages of trade between Latin America and the bloc, which are generally pictured in exaggerated form; (2) the concern for the underdevelopment of Latin America and the part that bloc equipment could play, if allowed, in economic development (in this connection Soviet offers to Asian countries are stressed); and (3) appeals to national interest and pride, tied in with attacks on the United States and references to the "colonial" status of Latin American countries in the past.

These themes appear and reappear with new variations and some alteration to fit local situations. In 1955 the growth in Argentine and Uruguayan trade under their agreements with the bloc was used considerably as an example of the "way" for other countries to follow. The propaganda opportunities of the Soviet Industrial Fair in Buenos Aires were fully utilized. Stress was laid on the "technical aid" that would be available to the Latin American countries if Soviet equipment was acquired. Such aid -- as intimated by the Communist El Siglo of Santiago, Chile -- would be freely available without asking concessions, as "Standard Oil did"

The US insistence upon the primary role of private capital in the development of Latin America is constantly criticized and cited as an example of a desire by the United States to prevent full development of the area.

Responsible officials of Latin American governments have often made statements supporting the thesis that the bloc represents a great potential market, thus tending to support the claims of Communist propaganda.

~~SECRET~~

~~SECRET~~

- 9 -

7. Trade agreements

The minor importance of the trade in prewar years between Latin America and the countries now in the Soviet bloc is emphasized by the lack of a strong commercial policy governing relations between the two areas. Many of the agreements of the prewar period were no more than general most-favored-nation agreements, payments arrangements, or special quota dispositions under international commodity agreements.

Agreements signed in the postwar period have been of varying types. For the most part the agreements cover both the movement of goods and the means and method of payment. They generally specify trade targets and list commodities to be exchanged with either volume or value quotas. Payment provisions include the establishment of clearing or compensation accounts, swing credits, and settlement in US dollars, other acceptable currencies, or gold. More recent agreements also call for the extension of credit facilities by the bloc partner for the purchase of capital goods by the Latin American partner.

The various governmental or semigovernmental agreements (excluding any barter arrangements which are made from time to time between governments or private individuals) now in force envisage a trade level between Latin American and the bloc of about \$400 million.

Argentina

Argentina has the largest trade with the bloc and the largest number of bilateral agreements with that area. Trade goals visualized in the agreements governing 1955 trade include Czechoslovakia, \$64 million; Hungary, \$8.25 million; Poland, \$49.3 million; and the USSR, \$100 million. A semiofficial agreement between Instituto Argentino para la Promoción del Intercambio, a semiofficial organization for the development of trade, and East Germany calls for a trade interchange of \$41.2 million. These agreements call for an annual trade total of \$263 million, which compares with actual trade with bloc countries in 1954 of \$173 million.

The Central Bank of Argentina reported that at the end of 1954 the countries in the Soviet bloc, with whom Argentina had trade agreements owed \$42.8 million in trade balances. This debt was reported as follows: USSR, \$13.6 million; Hungary, \$12.4 million; Czechoslovakia, \$11.6 million; and Poland, \$5.6 million. Romania had a credit balance of \$0.4 million with Argentina. This debt was considerably in excess of the total of \$25.0 million in swing credits permitted by the agreements. In large part the credit out-

~~SECRET~~

SECRET

- 10 -

standing represented accumulations from previous years, particularly in the case of the USSR, inasmuch as trade in 1954 with these countries was fairly even.

The most important of the agreements is that signed with the USSR on August 5, 1953, which originally provided for \$150 million in trade both ways, including a Soviet credit of \$30 million for the Argentine purchase of capital equipment. (The Argentine Government announced at the time this agreement was signed that \$150 million worth of goods would be exchanged, plus a credit of \$30 million, and this figure has appeared widely in the press. However, Embassy Buenos Aires calculated the value of quotas at world prices, and estimated the value of goods to be traded, exclusive of the credit, at a considerably lower figure.)

Argentine exports to the USSR in 1953 (the USSR did not commence deliveries until the beginning of 1954) and 1954 plus imports from the USSR in 1954 disclose that actual trade fell below the anticipated goals and that fulfillment of commitments was irregular.

Argentine shipments in 1953 and 1954 of cattle hides (20,827 tons), mutton (23,877 tons), and processed meat (13,004 tons) exceeded by a wide margin the tonnage specified in the agreement. Pork shipments (3,001 tons) and linseed oil (74,184 tons) approximated the quotas of 3,000 and 75,000 tons specified in the agreement. Only 285 tons of quebracho were shipped, although Argentina agreed to ship 15,000 tons. There were no shipments of wool, sheepskins, and lard, although Argentina shipped 7,988 tons of butter, which does not appear to have been included in the agreement.

USSR deliveries, all in 1954, of agreement commodities were far less satisfactory. No overall measure of fulfillment can be applied, since quotas were specified by quantity in some cases and by values in others. Russian shipments of crude (81,795 metric tons) fell below the quota of 500,000 tons specified in the agreement. On the other hand, its shipments of gasoline, gas oil, fuel oil, and other products, which aggregated \$6 million, exceeded the quota of \$500,000 set by the agreement. Pig iron shipments by Russia of 42,709 tons exceeded the quota of 20,000 tons. Shipments of sheet iron totaling 19,000 tons were below the 28,000 tons specified by the agreement. The deliveries of pipe (17,348 tons) were less than half of the quota of 40,000 tons. Shipments of rails and accessories were considerably in excess of the value quota set by the agreement. Machinery and equipment deliveries by the USSR were relatively small. Argentine imports of machinery in 1954 aggregated about \$50,000, but the USSR did deliver in 1954 over 12,000 tons of railway equipment valued at \$3.7 million.

SECRET

~~SECRET~~

- 11 -

The unrealistic nature of trade goals set by the original trade agreement was apparently taken into consideration when an additional protocol, establishing the levels of trade for 1955, was signed on May 19, 1955. Trade levels for the year were set at about \$50 million each way. On the Argentine export side the wool and sheepskin quotas were reduced from 23,000 tons under the 1953 agreement to only 5,000-6,000 tons, and linseed oil from 75,000 to 60,000 tons. Cattle hides, however, were stepped up from 14,000 to 23,000 tons and mutton and lamb from 5,000 to 20,000 tons. Quebracho extract, for which a quota of 15,000 tons was set in the 1953 agreement, was excluded entirely.

Argentine purchase of fuels from the USSR in 1955 was put at 500,000 tons of fuel oil and 50,000 tons of gas oil, which represents little change from the provision of 500,000 tons of crude plus \$500,000 of unspecified petroleum products in the 1953 agreement. On the other hand, no specific provision was included for coal imports in 1955, whereas 300,000 tons were to be imported under the 1953 agreement. Lampblack and pipe for oil fields were also excluded from the new agreement. Asbestos was cut from 8,000 to 1,000 tons. A sizable reduction was made in the quota for rails and accessories, from 60,000 to 15,000 tons. Provisions for deliveries of other iron products, on the other hand, were almost doubled: billets from 50,000 to 70,000 tons; pig iron from 20,000 to 50,000 tons; sheet iron from 30,000 to 60,000 tons; and iron bars and sections from nil to 20,000 tons. Special steels were given as 50,000 tons under the new list, whereas in the 1953 agreement only a value figure -- \$4.8 million -- was shown. The new list contained several additions, e.g., spruce pine, 80,000 cubic metres; cellulose, 5,000 tons; and aluminum, 2,000 tons.

The quota for capital goods to be supplied under the Soviet credit to Argentina as noted above was cut from \$30 million to \$4 million in the new protocol. It appears probable that non-utilization of the credit extended under the original agreement, as well as its reduction under the 1955 protocol, was due to Argentine reluctance to acquire equipment that, according to Argentine businessmen who visited the USSR in 1954, is inferior and obsolescent. Equipment displayed at the Soviet Industrial Fair, which was held in Buenos Aires from May 21 to June 3, 1955, did not appear as well finished as corresponding machines from the United States and for the most part seemed to be copies of relatively outmoded US or European models. Although the Argentine government is reported to have acquired some of the equipment shown at the fair, there is no indication that sizable sales resulted, and most of the Soviet machinery exhibited was sold at public auction.

~~SECRET~~

~~SECRET~~

- 12 -

Preliminary reports of Argentine-USSR trade in 1955 indicate that, while Argentine shipments to the USSR have declined, receipts from Russia have increased. During the first six months Argentine trade with the USSR totaled \$29.7 million (exports \$9.2, imports \$20.5), as compared with the total trade of \$54.0 million in the first half of 1954.

The most important Argentine exports to the USSR in the first half of 1955 were linseed oil (14,149 tons), meats (11,770 tons) salted hides (11,550 tons), and wool (2,065 tons).

Imports from the USSR by Argentina in the first half of 1955 were valued at \$20.5 million, as compared with \$8.8 million in the first six months of 1954. Receipts of Soviet goods included 295,920 metric tons of petroleum products (crude, 59,204 tons; fuel oil, 155,151 tons; gas oil, 71,614 tons; and diesel oil, 9,951 tons), 29,907 tons of pig iron, 17,257 tons of iron billets, 8,419 tons of iron plate, and 2,561 tons of iron bars, as well as 13,361 tons of railway equipment.

Argentina's total trade (exports and imports) with Czechoslovakia, Hungary, Poland, and Rumania came to about \$9.4 million in 1954. Trade with these four satellites showed a sizable increase in 1955: exports in the first six months of 1955 totaled about \$22 million and imports \$35 million. The annual trade that is indicated by the half year's figure of \$114 million would be close to the \$122 million envisaged by the agreements with these countries. Among the important shipments to these satellites were wheat and onions to Czechoslovakia, sugar to Hungary, wheat and rye to Poland, and quebracho to Rumania. Among the important commodities received by Argentina from these countries were iron sheets, spruce pine, miscellaneous machinery, and railway rails from Czechoslovakia, railway equipment and iron bars from Hungary, coal, cement, and spruce pine from Poland, and spruce pine from Rumania.

In the first six months of 1955 Argentina shipped butter, onions, and sugar to East Germany valued at a total of \$1.7 million under an IAPI agreement with that area which set a trade goal of \$41.2 million. No imports from East Germany were reported.

Brazil

Brazil's trade with the bloc countries amounted to \$42 million in 1954 and represented 1.5% of Brazil's total trade. A significant increase in this trade is indicated for 1955; the results for six months of 1955 show a trade level with the bloc of nearly \$34 million, an annual rate of close to \$70 million or two-thirds above the 1954

~~SECRET~~

~~SECRET~~

- 13 -

level. Czechoslovakia has continued to lead in 1955 as Brazil's primary bloc market and the leading source of Brazilian imports from the bloc area, although trade with Hungary and Poland has showed a sizable increase over 1954 totals. The direct trade with the USSR in the first half of 1955 took the form of Russian purchase of 8,331 tons of sugar valued at about \$700,000. Cotton, sugar, cocoa, iron ore, and coffee, in that order, led among Brazilian sales to the bloc.

Brazil has bilateral agreements with Czechoslovakia, Poland, and Hungary, but diplomatic relations with only the first two. These agreements envisaged a trade level in 1955 of nearly \$82 million, as compared with total trade with the countries in 1954 of \$39.3 million.

It was reported in December 1955 that discussions leading to a trade agreement with Rumania were in progress.

The Brazilian Government has been under considerable pressure to establish formal commercial relations with the USSR and other countries in the bloc with which Brazil does not have agreements. In addition to direct trade sizable amounts of Brazil's exports to Western Europe are transshipped to bloc countries and it has been reported that a significant proportion of Brazilian wheat imports from Finland in 1954 represented grain of Soviet origin. Several attempts by private concerns to formulate barter arrangements have been reported. Among the most significant of these was a non-governmental compensation agreement between a Brazilian firm and the Deutscher Inner und Aussenhandel Kompensation (the East German official trade organization), which provided for an interchange of \$6 million. The Brazilian Government, however, has discouraged barter and triangular trading. It was announced by the Brazilian authorities in August 1955 that permission had been denied to two European firms to act as intermediaries in trade deals between Brazil and bloc countries. The Ministry of Foreign Affairs explained in a statement that permission was denied because it would have "violated the principles of free foreign trade on which the government's policy is based." It was emphasized, however, that this refusal should not be interpreted as an expression of lack of interest in the development of trade with the bloc.

Agitation for trade with the bloc continues in Brazil. Various business organizations have pointed out that the possibility of trade expansion with the countries with which Brazil presently maintains formal commercial relations are limited and that the only real opportunity for expansion of Brazil's foreign trade lies with the bloc countries. In the election campaign of 1955 the three

~~SECRET~~

~~SECRET~~

-14-

leading candidates adopted similar positions with regard to the Soviet bloc. While each avoided any direct commitment to extend diplomatic recognition to the Soviet Union (diplomatic and consular relations have not been maintained since 1947), all expressed the conviction that Brazil's economic interest would be served by a substantial expansion of trade with the bloc. In October 1955 the Rio de Janeiro correspondent of the London Financial Times wrote that Juscelino Kubitschek, the president-elect, would visit Europe and would meet with Soviet trade interests and representatives of other Communist countries. However, he did not visit any bloc countries during his visit to Europe, and there is no evidence that any meetings with bloc trade interests were held.

Mexico

Mexico has established bilateral trade arrangements only with Czechoslovakia. The agreement, which was signed in November 1949 for the period up to December 31, 1954, contains a clause providing for automatic two-year extensions beyond that date. No definite trade targets are established. A five-year payments agreement signed in October 1950 is singular in that the clearing accounts are carried in pesos and crowns instead of dollars. The agreement provides for a swing credit equivalent to US\$1 million. Actual trade under this agreement has been relatively small. In 1954 Mexico exported only \$33,000 and imported \$855,000 from Czechoslovakia.

Paraguay

Paraguay has entered into bilateral trade arrangements with Czechoslovakia, Hungary, and Poland. In 1954 total trade with the first two countries, with which agreements were signed in 1953, was in the neighborhood of \$300,000. The agreement with Poland was not signed until November 1955.

Uruguay

Uruguay has entered into trade or payments agreements with Czechoslovakia, East Germany, Hungary, Poland, Rumania, and the USSR.

The most important of these agreements is that signed with the USSR in July 1954. It envisages a volume of trade valued at \$44.8 million. Under this agreement Uruguay has agreed to ship wool, hides, and vegetable oils in exchange for Soviet petroleum products. Under the operation of the agreement Uruguay's trade with the USSR rose from less than \$300,000 in 1953 to nearly \$20 million in 1954. Uruguay's trade operations with the USSR in

~~SECRET~~

1954 were extremely one-sided; its exports of meats and wool aggregated \$19.9 million as against imports of only \$27,000. The favorable trade balance was settled by the USSR by transfer of sterling.

Uruguay's trade with the USSR in the first half of 1955 was but a small proportion of its trade in the similar period of 1954. Its exports during the first six months of 1955 were valued at \$1.1 million as against exports of \$9.7 million in the first half of 1955. Purchases by the USSR in the first semester of 1955 included only 540 tons of wool and 568 tons of cattle hides and sheepskins.

Uruguay has looked hopefully to the Soviet bloc as a possible market for its exports, which have encountered increased competition in the world market. An attempt is therefore made to use existing bilateral payments agreements with the bloc, and to negotiate new ones to dispose of surpluses. Its exports to the bloc in 1954, mostly to the USSR, represented nearly 10% of its total exports. In contrast to the mounting deficits in its overall trade balance, it has built up sizable credit balances with the bloc countries. This has led to pressure for a shift in normal import patterns away from the US and Western Europe. Importers are encouraged to utilize credits resulting from sales to the bloc, and increasing amounts of bloc currencies are included in import quotas released by the Export-Import Control Office. The reluctance of importers, irritated by substandard and overpriced manufactured goods offered by the bloc as well as by the failure of the bloc to keep delivery dates and other commitments, has led to the inclusion of increased amounts of agreement currencies when allocating for the purchase of raw materials and semimanufactured goods.

The most recent example of the increased use of bilateral agreement trading to promote the disposal of available surpluses is the signing of a commercial treaty, a commercial convention, and a payments agreement with Czechoslovakia in September 1955 (the previous agreement was solely a payments arrangement). Surplus meat and wool are to be exchanged against Czechoslovak steel and other metals and miscellaneous equipment and machinery. The annual trade level of \$7 million envisaged in this agreement is more than double the 1954 level of \$2.9 million. Uruguay's exports to Czechoslovakia in the first half of 1955 were valued at \$1,651,000, as compared with \$869,000 in a similar period of 1954. The major portion of the 1955 exports represented shipments of 2,106 tons of frozen meats.

C. Prospects for Latin American trade with the bloc

1. Major attractions

Latin American countries are receptive to bloc trade overtures

-16-

as a possible solution of the economic problems that confront them.

(1) The bloc appears to provide a new market for Latin American exports. Thus far, the volume of goods which the Latin American countries have sent to the bloc has been relatively small and marginal, but it has, in particular cases, made it possible to dispose of bothersome surpluses. Other countries having surpluses see in such trade an opportunity for the solution of their own problems.

(2) Trade with the bloc permits the acquisition of necessary goods without drawing upon scarce dollar reserves. Dollar expenditures by Argentina and Brazil for fuel imports are particularly heavy. Insofar as the bloc is willing to provide these commodities, trade with the bloc offers to these countries an opportunity to utilize their dollar reserves for other purposes.

(3) The bloc is frequently willing to offer favorable prices for Latin American goods. In this category, Polish offers for Brazilian iron ore, Czechoslovak offers for Bolivian non-ferrous metals, and Russian offers for Cuban sugar at prices higher than these countries could obtain in other markets have made bloc trade offers especially attractive.

(4) Latin Americans believe that trade with the bloc improves their bargaining position in world markets and offers them a talking point in economic negotiations with the US and Western European countries.

2. Major obstacles

The development of trade between Latin America and the bloc is hampered by the following factors:

(1) Bloc trade has limited possibilities. Contrary to the impression created in Latin America the bloc probably will not offer a wide market for Latin American goods. Bloc countries also are large producers of agricultural goods and raw materials.

(2) Not all of direct trade with the bloc is a net addition to demand for Latin American exports. Latin American countries often fail to take into account that expansion of direct trade with the bloc would be reflected in reduced sales to Western European countries which transship Latin American products to the bloc. Among examples of this type of trade are shipments of coffee to East Germany via West Germany and Dutch purchases of Uruguayan wool for transshipment to bloc countries.

SECRET

SECRET
- 17 -

(3) The bloc market is not reliable. Experience with Soviet bulk purchases in other areas indicates that transactions have been largely dictated by special need for particular products at a particular time. Such purchases, in the past, have proved temporary. There is no assurance for the Latin American countries that Soviet bloc demand would be sustained over the long run. Uruguayan-USSR trade, which in 1954 provided Uruguay with a market for \$20 million worth of goods, dwindled in 1955 to a mere fraction of that level.

(4) Bloc goods have not been marketed competitively if quality and price are considered. The failure of importers to accept Soviet goods in sufficient amounts has been a feature of Argentine-USSR trade. Soviet sources have ascribed this situation to Argentine buyers' lack of acquaintance with Soviet products, but to a large degree it has been due to the failure of these goods to measure up to standards set by US and West European goods. For example, defects found in a shipment of Czechoslovak tires forced the Bolivian Government to withdraw the entire shipment from sale. Mechanical defects of Czechoslovak trucks delivered to Brazil led to their replacement by the Czechoslovak Government. And a shipment of electrical precision instruments from Czechoslovakia to Brazil was totally unusable and bore every evidence of having been subjected to sabotage.

(5) Bloc trade exhibits the inherent defects of state trading. Numerous instances have been reported of long delays in delivery, difficulties in correspondence, and other vexations in dealing with state trading organizations. The absence of servicing and other facilities lessen the attractiveness of bloc goods. The sale of goods for purposes for which they were not intended, due to the pressure on representatives of state organizations to establish sales records, has also been reported.

(6) Bloc trade is deterred by the absence of diplomatic relations. Soviet and/or satellite permanent diplomatic missions, 14 in all, are established in only five Latin American countries: Argentina, Brazil, Uruguay, Mexico, and Ecuador. The absence of diplomatic relations between Brazil and the USSR is often cited as an example of the inability of Brazil to expand its trade with that country. Trade with the bloc, however, is not excluded entirely, since Latin American goods, unless strategic controls are present, move freely in indirect trade with the bloc. In only two countries, Haiti and Honduras, are direct exports prohibited by law, even though imports from the bloc countries occur.

SECRET

State - FD, Wash., D. C.

Table I. Latin American trade with the Soviet bloc, 1938, 1950, and 1954*

(Values in thousands of US dollars)

	1938		1950		1954**	
	Exports	Imports	Exports	Imports	Exports	Imports
Argentina	15,000	14,000	49,747	32,800	90,485	82,684
% of total trade	3.3	3.1	3.5	3.0	8.5	7.6
Brazil	8,000	4,000	12,217	9,051	24,038	18,781
% of total trade	2.3	1.3	0.9	0.8	1.5	1.1
Chile	3,000	negl	1,005	321	2,039	125
% of total trade	1.8	***	0.3	0.1	0.5	***
Colombia	2,000	1,000	11	807	negl	1,221
% of total trade	0.2	0.1	***	0.2	***	0.2
Cuba	negl	1,000	5,646	783	800	600
% of total trade	***	0.1	0.9	0.2	0.1	0.1
Mexico**	1,000	2,000	1,193	938	117	1,365
% of total trade	0.1	0.1	0.2	0.2	***	0.2
Peru	2,000	1,000	27	1,150	17	135
% of total trade	0.2	***	***	0.6	***	0.1
Uruguay	1,000	2,000	1,813	2,059	23,748	2,563
% of total trade	0.2	0.2	0.7	1.0	9.5	0.9
Venezuela	1,000	1,000	n a	1,787	n a	1,600
% of total trade	0.1	0.1	n a	0.1	n a	0.2

SECRET

SECRET

Table I. Latin American trade with the Soviet bloc, 1938, 1950, and 1954* (continued)
(Values in thousands of US dollars)

	1938		1950		1954**	
	Exports	Imports	Exports	Imports	Exports	Imports
Others						
% of total trade	3,000 ***	3,000 ***	200 ***	300 ***	300 ***	2,700 ***
Total	36,000	29,000	71,859	49,996	141,544	111,774

* The totals exclude trade with East Germany inasmuch as Latin American trade statistics do not report West and East Germany separately.

** Preliminary and partly incomplete.

*** Less than 0.05%.

negl Negligible

n a Not available

Approved For Release 2000/08/23 : CIA-RDP64-00014A000100130033-2

Table II. Latin American exports to and imports from the Soviet bloc, 1938

(In millions of US dollar equivalents)

	Czechoslovakia		Hungary		Poland		Rumania	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Argentina	6	5	1	4	7	4	-	1
Brazil	4	3	-	-	3	1	-	-
Chile	1	-	-	-	2	-	-	-
Colombia	1	1	-	-	1	-	-	-
Cuba	-	1	-	-	-	-	-	-
Mexico	1	1	-	-	1	1	-	-
Peru	-	1	-	-	2	-	-	-
Uruguay	1	1	-	1	-	-	-	-
Venezuela	-	1	-	-	1	-	-	-
Others	1	3	-	-	2	-	-	-
Total	15	17	1	5	19	6	-	1

Approved For Release 2000/08/23 : CIA-RDP64-00014A000100130033-2

Table II. Latin American exports to and imports from the Soviet bloc, 1938 (continued)
 (In millions of US dollar equivalents)

	USSR		China		Total with the bloc	
	Exports	Imports	Exports	Imports	Exports	Imports
Argentina	1	-	-	-	15	14
Brazil	-	-	1	-	8	4
Chile	-	-	-	-	3	-
Colombia	-	-	-	-	2	1
Cuba	-	-	-	-	-	1
Mexico	-	-	-	-	1	2
Peru	-	-	-	-	2	1
Uruguay	-	-	-	-	1	2
Venezuela	-	-	-	-	1	1
Others	-	-	-	-	3	3
Total	1	-	1	-	36	29

Note: There was no trade between Latin America and Albania and Bulgaria in 1938. Trade with East and West Germany is generally not separately recorded in Latin American trade statistics, so East German trade is excluded from bloc totals.

- None.

SECRET

SECRET

21

Approved For Release 2000/08/23 : CIA-RDP64-00014A000100130033-2

Table III. Latin American exports to and imports from the Soviet bloc, 1950
(In millions of US dollar equivalents)

	Albania		Bulgaria		Czechoslovakia		Hungary	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Argentina	*	-	1.0	0.5	10.1	11.8	15.1	4.6
Brazil	NR	-	-	-	8.0	8.3	*	*
Chile	-	-	-	-	0.2	0.1	-	*
Colombia	-	-	*	*	*	0.7	*	*
Cuba	-	*	-	-	*	0.6	*	*
Mexico	-	*	*	*	*	0.6	*	0.1
Peru	NR	NR	-	*	*	1.0	-	*
Uruguay	-	-	-	-	1.0	1.4	0.2	*
Venezuela	NA	NR	NA	NR	NA	1.8	NA	NR
Others	*	*	*	*	0.2	0.1	*	0.2
Total	*	*	1.0	0.5	19.5	26.4	15.3	4.9

Approved For Release 2000/08/23 : CIA-RDP64-00014A000100130033-2

Table III. Latin American exports to and imports from the Soviet bloc, 1950 (continued)

(In millions of US dollar equivalents)

	Poland		Rumania		USSR		China		Total with the bloc	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Argentina	9.7	4.4	13.0	11.5	*	*	0.8	*	49.7	32.8
Brazil	1.6	0.7	-	-	NR	-	2.6	*	12.2	9.0
Chile	0.8	*	-	-	-	-	*	0.2	1.0	0.3
Colombia	*	*	*	-	-	-	-	0.1	*	0.8
Cuba	*	0.1	*	-	0.1	*	5.5	*	5.6	0.8
Mexico	*	*	*	*	1.0	*	0.2	0.2	1.2	0.9
Peru	*	*	*	-	*	*	*	0.1	*	1.1
Uruguay	0.6	0.4	-	0.2	-	*	*	*	1.8	2.0
Venezuela	NA	NR	NA	NR	NA	NR	NA	NR	NA	1.8
Others	*	*	*	0.1	*	*	*	*	0.2	0.3
Total	12.7	5.6	13.0	11.8	1.1	*	9.1	0.6	71.7	49.8

* Less than \$100,000.

NA Not available.

NR None reported.

- None.

Note: Trade with East and West Germany is generally not reported separately in Latin American trade statistics, so East German trade is excluded from bloc totals.

Table IV. Latin American exports to and imports from the Soviet bloc, 1954*
 (In millions of US dollar equivalent)

	Albania		Bulgaria		Czechoslovakia		East Germany		Hungary	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Argentina	*	-	-	-	11.5	11.9	0.2	NR	8.6	6.0
Brazil	-	NR	-	NR	12.2	13.5	NR	NR	2.2	1.0
Chile	NR	-	NR	NR	0.5	**	NR	NR	0.4	**
Colombia	NR	NR	NR	NR	**	0.8	NR	NR	-	**
Cuba	NR	NA	NR	NA	**	0.6***	NR	NA	**	NA
Mexico	NR	**	**	**	**	0.9	NR	NR	**	**
Peru	NR	-	NR	-	**	**	NR	NR	**	**
Uruguay	**	**	NR	NR	1.8	1.2	NR	NR	1.1	1.3
Venezuela	-	NR	-	**	-	1.0	NR	NR	-	**
Others	-	-	**	**	0.2	1.9	NR	NR	0.1	0.4
Total	**	**	**	**	26.2	31.8	0.2	NA	12.4	8.7

~~SECRET~~~~SECRET~~

- 24 -

Table IV. Latin American exports to and imports from the Soviet bloc, 1954* (continued)
 (In millions of US dollar equivalent)

	Poland		Rumania		USSR		China		Total	
	Exports	Imports								
Argentina	21.0	21.6	6.6	6.5	36.4	36.6	6.2	NR	90.5	82.6
Brazil	6.1	4.3	1.0	**	-	NR	2.6	NR	24.1	18.8
Chile	1.1	**	NR	**	NR	**	NR	NR	2.0	**
Colombia	NR	**	NR	**	-	**	-	0.4	**	1.2
Cuba	NR	NA	NR	NA	0.8	NA	NR	NA	0.8	0.6
Mexico	**	**	**	**	**	**	**	0.1	**	1.3
Peru	-	**	-	-	-	**	**	NR	23.7	2.5
Uruguay	0.9	**	NR	NR	19.9	**	**	0.1	-	1.6
Venezuela	-	0.5	-	**	-	**	-	0.2	0.3	2.7
Others	**	0.2	-	-	-	**	**	1.2	141.4	111.7
Total	29.1	26.6	7.6	6.5	57.1	36.6	8.8	-	-	-

* Preliminary and partly incomplete.

** Less than \$50,000.

*** Jan.-Aug. only.

NR Not reported.

- None.

Note Totals do not agree completely with Table I due to rounding of figures.

Table V. Latin American exports to and imports from the Soviet bloc, January through June 1955*
 (In millions of US dollar equivalents)

	Albania		Bulgaria		Czechoslovakia		East Germany		Hungary	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Argentina	**	NR	**	NR	1.5	9.9	1.7	NR	0.7	6.3
Brazil	-	-	*	-	8.8	7.6	***	***	3.1	2.8
Uruguay	NR	*	NR	NR	1.7	0.8	***	***	0.9	0.4

	Poland		Rumania		USSR		China		Total	
	Exports	Imports								
Argentina	17.4	14.8	2.3	4.0	9.2	20.5	1.1	NR	33.9	55.5
Brazil	5.4	5.0	*	NR	0.7	NR	0.1	NR	18.1	15.4
Uruguay	1.9	*	NR	NR	1.1	*	NR	NR	5.6	1.2

* Preliminary

** Less than \$50,000.

*** Not reported separately.

Table VI... Bilateral trade and payments agreements in effect during 1950-55 between Latin American Republics and the Soviet bloc*

	Duration of agreement	Trade provisions	Payment provisions
Argentina - Bulgaria	June 1, 1949 - June 1, 1953. Since 1953 trade has continued under general terms of the agreement.	First annual quota provided for US \$8 million Argentine exports and \$6.0 million imports from Bulgaria.	Made in dollars unless otherwise agreed. Final balance in gold or dollars or by agreement, in fully disposable foreign exchange or goods.
Argentina - Czechoslovakia	July 17, 1947 - December 31, 1951	Commodity quotas established for 1947 and duration of agreement.	Account in Czech crowns at the Central Bank. Swing credit of 20 million Argentine pesos; balance payable in gold or by agreement in fully disposable currencies.
	Protocol to 1947 agreement signed September 28, 1948		Provided for increase in swing credit to 50 million Argentine pesos.
	Protocol to 1947 agreement signed July 29, 1949	Established trade goals of \$29 million each way.	
	September 3, 1952 - December 31, 1954. (This agreement replaced agreement signed June 2, 1947, and protocols thereto.)	Specified lists of goods to be exchanged but no quantities or values given.	Clearing account in Czech crowns. Swing credit equal to US \$6.4 million. Excess balance payable in gold or dollars.

Table-VI. Bilateral trade and payments agreements in effect during 1950-55 between Latin American Republics and the Soviet bloc* (continued)

	Duration of agreement	Trade provisions	Payment provisions
Argentina - Czecho- slovakia	February 11, 1955 - February 10, 1958; tacit annual renewal there- after. (This agreement replaced the 1952 agreement.)	Specified lists of goods to be exchanged to the value of US \$32 million each way during the first year of operation. Allows for purchase by Ar- gentina of up to \$15 million of Czech capi- tal goods on credit. Under subsidiary agree- ment Argentina will buy Czech goods up to a value of US \$10 million and in return will sup- ply a range of products to a total of US \$5 million. The difference between Argentine imports and exports will be used to reduce Czech debt to Argentina.	Clearing account in dollars. Swing credit equal to \$6.4 million. Balance to be settled in gold, dollars, or other currency to be arranged.
Argentina - East Germany	Signed September 1954. Duration not available.	Trade target \$20.6 mil- lion each way. Specified lists of goods with value quotas.	Compensation agreement be- tween IAPI and Deutscher Inner und Aussenhandel Kompensation.

SECRET

SECRET

Table VI. Bilateral trade and payments agreements in effect during 1950-55 between Latin American Republics and the Soviet bloc* (continued)

	Duration of agreement	Trade provisions	Payment provisions
Argentina - Hungary	July 29, 1948 - December 31, 1952	Each country to "facilitate" the acquisition of specified products by the other.	Dollar account in the Argentine Central Bank; no credits provided. Payments in sterling, Belgian francs, Dutch florins and Italo-Argentine agreement dollars in equal parts.
	Protocol to 1948 agree- ment. Signed May 25, 1950.		Provides for a swing credit of \$3 million, balance in excess payable in gold, dollars, or, by mutual consent, in other currencies. Raised swing credit to \$5 million.
	September 8, 1953 - September 7, 1956; subject to tacit annual renewal there- after. (This agree- ment replaced the previous agreement and protocols there- to.)	Trade goals reported about \$30 million total. Half of Hungarian deliveries to defray debt to Argentina.	Clearing account in US dollars. Swing credit of US \$5 million. Balance in excess of US \$5 million payable in free dollars or gold.
	Protocol signed April 1954	Establishes annual trade target totalling US \$8.25 million. Argentina to export raw hides for various manufactured goods.	

Table VI. Bilateral trade and payments agreements in effect during 1950-55 between
Latin American Republics and the Soviet bloc* (continued)

	Duration of agreement	Trade provisions	Payment provisions
Argentina - Poland	December 21, 1948 - December 31, 1951	Established commodity schedules.	Clearing account in US dollars. Swing credit of US \$5 million. Balances to be settled in gold or dollars.
	October 30, 1952 - December 31, 1954; tacit annual re- newal thereafter.	Established lists of goods to be exchanged, no value or volume in- dicated.	Clearing account in US dollars. Swing credit of US \$5 million; balance payable in gold.
	Protocol to 1952 agree- ment. Signed January 24, 1955; effective January 1, 1955 - December 31, 1955	Trade target of US \$24,650,000 each way; specified lists of goods the most important of which are Argentine exports of wheat \$14 mil- lion, salt hides \$5.5 million and Argentine im- ports of coal \$16.5 mil- lion. Poland to facili- tate export of capital goods on installment payment basis.	
Argentina - Rumania	October 20, 1947 - July 31, 1950	Quotas for Argentine ex- ports but no specified Rumanian products listed.	Clearing account in US dollars.
	July 25, 1951 - July 24, 1952; tacit an- nual renewal.	List of goods to be ex- changed but no value or volume specified.	Clearing account in US dollars. Balance settled in goods at end of agreement. Only documentary

SECRET

SECRET

Table VI. Bilateral trade and payments agreements in effect during 1950-55 between
Latin American Republics and the Soviet bloc* (continued)

	Duration of agreement	Trade provisions	Payment provisions
Argentina - Rumania	This agreement was reached by means of protocol purporting to extend the agreement of Oct. 10, 1947 which expired July 31, 1950. It is essentially a new agreement and reestablishes the dollar trade account defunct since that date.		credits are to be extended on either side.
Argentina - USSR	Signed August 5, 1953; effective August 15, 1953 - August 14, 1954; extended for a period of six months October 14, 1954.	Specified list of goods to be exchanged. Trade target of US \$150 million both ways, including US \$30 million of capital goods to be supplied to Argentina on credit.	Clearing account in US dollars. Swing credit of \$11 million excluding the US \$30 million of capital goods for which special terms are to be arranged.
	Protocol to the 1953 agreement signed May 15, 1955 for the period Jan. 1, 1955 - December 31, 1955	Original trade targets changed to US \$50 million each way. Apparently the capital goods to be supplied by USSR during 1955 scaled down to \$4 million.	
Brazil - Czechoslovakia	November 15, 1946 - November 14, 1948. (This agreement was rejected by the Brazilian	List of goods to be exchanged.	Brazil granted a \$20 million credit or payment to begin Jan. 1, 1952. Czech clearing account established in the Bank of

Table VI. Approved For Release 2000/08/23 : CIA-RDP64-00014A000100130033-2
 Bilateral trade and payments agreements in effect during 1950-55 between
 Latin American Republics and the Soviet bloc* (continued)

	Duration of agreement	Trade provisions	Payment provisions
Brazil - Czecho- slovakia	Senate on September 2, 1949.)		Brazil. Payment of balances in US dollars or other accep- table currency.
	May 18, 1950 - May 17, 1952; tacit annual renewal	Brazilian exports set at US \$14 million; imports at US \$16 million. Lists of goods in ef- fect to May 17, 1951.	Clearing account in US dollars established in the Bank of Brazil, settlement in US dollars.
	Protocol to 1950 agree- ment effected by an ex- change of notes dated July 31, 1952 to be in effect May 17, 1952 - May 17, 1953.	Brazilian exports US \$15 million; imports \$16.2 mil- lion can be increased by \$1.5 million if enough salted or dried cow hides are avail- able.	
	Protocol signed November 19, 1953, effective May 18, 1953 - May 17, 1954.	Established new lists of goods.	
	Protocol signed Septem- ber 10, 1954. Duration not known	Established new lists of goods.	
Brazil - Hungary	April 26, 1954 - April 25, 1955; tacit annual renewal	Trade target US \$20 mil- lion each way. Commodity the Bank of Brazil. lists established.	

Table VI. Bilateral trade and payments agreements in effect during 1950-55 between
 Latin American Republics and the Soviet bloc* (continued)

	Duration of agreement	Trade provisions	Payment provisions
Brazil - Poland	October 24, 1952 - October 23, 1953; tacit annual renewal	Trade target each way of \$6.6 million. Commodity lists established. Quotas in dollars.	Dollar account in the Bank of Brazil.
	April 1, 1954 - April 1, 1955		Swing credit of \$2 million. Dollar accounts in the Bank of Brazil and <u>Narodowy Bank Polski</u> .
	November 23, 1954 - November 22, 1955	Trade target of US \$7.0 million each way. Specified goods to be traded but no quotas.	
Mexico - Czechoslovakia	Signed November 9, 1949	No trade target established. Includes commodity lists but no quotas.	
	December 31, 1954; tacit two year renewal thereafter. (It is not clear if it is an extension of previous agreement signed Aug. 17, 1947.)		
	October 20, 1950 - October 1955		Establishes peso/crown accounts. Provides for reciprocal swing credit. It is not clear whether the amount of \$1 million established by 1947 agreement is still

Approved For Release 2000/08/23 : CIA-RDP64-00014A000100130033-2
 Table VI. Bilateral trade and payments agreements in effect during 1950-55 between

Latin American Republics and the Soviet bloc* (continued)

	Duration of agreement	Trade provisions	Payment provisions
Paraguay - Czechoslovakia	November 1953 - November 1954	No quotas established	Details not available but set up US \$1 million swing credit.
Paraguay - Hungary	November 1, 1953 - October 31, 1954; tacit annual renewal	No quotas established	Establishes a swing credit of \$400,000.
Paraguay - Poland	Signed November 23, 1955 - duration not available	No quotas established. Other commodities for interchange are listed.	Information is not available.
Uruguay - Czechoslovakia	Announced in August 1954	Reportedly \$2.5 million each way.	Payment agreement with the Bank of Uruguay.
	Signed September 13, 1955	Trade target reported to be \$7 million both ways.	Current payments in US dollars. Swing credit of \$2 million.
Uruguay - East Germany	June 29, 1954 - June 28, 1955	Trade target \$6 million each way.	Compensation accounts up to \$6 million opened in the Banco de Uruguay and the Deutsche Notenbank.
Uruguay - Hungary - Rumania	1954		There appear to be confidential banking agreements with these countries. Terms are not known.
Uruguay - Poland	April 24, 1953 - April 23, 1954; tacit annual renewal		Clearing account in the Banco de Uruguay.

Bilateral trade and payments agreements in effect during 1950-55 between
Latin American Republics and the Soviet bloc* (continued)

	Duration of agreement	Trade provisions	Payment provisions
Uruguay - USSR	July 28, 1954 - July 27, 1956	Annual trade target US \$22.4 million each way. USSR to ship petroleum products for Uruguayan wool hides and vege- table oils.	Settlement of accounts in pounds sterling.

* The agreements shown include only those reached between governments or agencies of
governments, agreements between private entities as well as any barter or one-time
arrangements are excluded.

SOURCE

- 35 -
SECRET

Table VI. Bilateral trade and payments agreements in effect during 1950-55 between Latin American Republics and the Soviet bloc* (continued)

	Duration of agreement	Trade provisions	Payment provisions
Uruguay - USSR	July 28, 1954 - July 27, 1956	Annual trade target US \$22.4 million each way. USSR to ship petroleum products for Uruguayan wool hides and vegetable oils.	Settlement of accounts in pounds sterling.

* The agreements shown include only those reached between governments or agencies of governments; agreements between private entities as well as any barter or one-time arrangements are excluded.

SECRET

SECRET